CAFTA - AGRICULTURE

Overview Fact Sheet

Removing trade barriers between the United States and the five Central American countries in the CAFTA will create important new export opportunities for U.S. farmers, ranchers and processors. Moreover, because the U.S. market is already largely open to agricultural imports from these countries, the CAFTA agreement will result in limited additional import competition. With population and consumption growth for many products stagnant in the United States, access to markets such as those in Central America is critical for the growth and profitability of U.S. agriculture.

Central America will provide access to a large number of consumers in potential growth markets.

The population of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua is around 34 million. Per capita incomes range from nearly $2,000 to over $8,500 (PPI, 2001 data), providing substantial upside potential for expanded growth of income and food demand.

Central America is already good markets for U.S. agricultural products.

The United States has a number of competitive advantages in Central America. U.S. agricultural exports to the region totaled over $1 billion in 2002. The United States is the region's single largest source of agricultural imports, accounting for 41 percent of imports by value in 2001. However, U.S. share declined from 54 percent of total imports in 1995, due in large part to preferential access conditions afforded third countries by the Central Americans through bilateral trade agreements.

The CAFTA eliminates barriers to U.S. exports, improving U.S. competitiveness against Central American and third country suppliers.

The average allowed tariff for the Central American countries under their WTO commitments are 42% in Costa Rica, 41% in El Salvador, 49% in Guatemala, 35% in Honduras, and 60% in Nicaragua. The simple average agricultural tariff applied to U.S. exports in Central America exceeds 11%, and can exceed 150% for import-sensitive products. Eliminating these tariffs will create in many cases preferences for U.S. exporters over third country suppliers, including those in Canada, Europe and South America, helping to restore lost U.S. market share and expand overall U.S. exports. Tariff elimination will also make U.S. exports more competitive with producers in the Central American countries.

The U.S. market is already very open to Central American exports.

Over 99% of Central American agricultural exports (on a trade-weighted basis) enter the United States duty free already under MFN tariffs and CBI preferences. The United States imported over $2 billion from Central America in 2002. The vast majority of these imports constitute non-competitive crops, such as coffee and tropical fruits.

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